



State of Arizona Accounting Manual

Topic 55 Payroll and Personnel
Section 05 General Payroll Policies

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INTRODUCTION

Payroll, consisting of employee salaries, wages and related expenses, constitutes a significant expenditure for the State. Employees expect and should receive prompt and accurate payment of salaries and wages. The processing of payroll is therefore an extremely important function requiring strict controls and close supervision.

The entities that comprise the State of Arizona use a variety of methods for entering and recording the days and hours worked by their employees. Some of these methods are highly automated—like HRIS and ETE—and others are not. In many cases, the automated systems perform a number of checks, verifications and validations. This fact, however, does not relieve management's responsibility either for assuring that accuracy of payroll information or for maintaining internal controls sufficient to mitigate the likelihood of errors.

POLICIES

1. Each new employee must be oriented as soon as possible after his start date; this is typically accomplished by the employee's attending a new employee orientation session.
2. Payroll preparation, payment processing and distribution, timekeeping, and personnel record-keeping duties must be segregated.
3. Agency payroll personnel must review payroll information to ensure it has been properly recorded.
4. To the extent practicable, payroll duties should be rotated among employees periodically. In circumstances that do not permit rotation of payroll duties, adequate compensating controls—in the form of additional review and verification, etc.—should be established.
5. Agency separation procedures must include:
 - 5.1. The preparation of a form by the management of the separating employee that accounts for the recovery of or accounting for travel advances and the return of keys, equipment, payment cards, etc.;
 - 5.2. Ensuring that terminating employees have information concerning whom to contact regarding COBRA and RASL;

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- 5.3. Performing a final review of any termination payment; and,
- 5.4. Ensuring that a terminated employee receives his final check in accordance with legal requirements.
6. To the extent practicable, each agency (or, in the case of larger agencies, each division) should designate one employee as the agency payroll coordinator and a second employee as the payroll coordinator's alternate. These employees are responsible for reviewing time and attendance records for agency employees and ensuring that all employees are accounted for. These employees should receive adequate training and requisite system access. The alternate's role is to be always ready to provide coverage during the absence of the payroll coordinator.
7. Except in the case of an emergency, all overtime and leave requests must be approved in advance.
8. The fact that some automated systems incorporate particular controls and checks does not reduce management's responsibility for maintaining internal controls or eliminate the need to retain certain manual verification processes.